



Budget Development Update –March 24, 2015

Board of Supervisors Set Tax Rates, Discuss Staff Compensation and Benefits

At the evening session of today's Board of Supervisors meeting, the Board moved to adopt the tax rates for 2015. The Board set the real estate tax rate at \$1.09 per \$100 assessed value, personal property tax at \$3.50 per \$100 assessed value, and reduced machinery and tools tax rate to \$2.95 per \$100 assessed value.

In a work session before the evening session, the Board of Supervisors received a briefing from staff regarding employee compensation and benefits for the coming fiscal 2015-2016 year. The presentation to the Board included a review of total compensation provided to employees, pay adjustments, benefits, and several pay adjustment scenarios. Highlights from the discussion include the need to establish a long-range compensation philosophy to ensure recruitment and retention of high quality employees and recognize outstanding performance. Other goals outlined included ensuring internal equity and market competitiveness aligned with the county's ability to fund employee compensation over the long term.

The Board also reviewed the history of employee pay adjustments and learned how inflation has outpaced average county wages over the past four years. Staff also presented data on the cost of every 1% change in employee wages and benefits. The presentation also included a two-phase plan to address recruitment and retention among public safety employees, a need for equity among Fire & Rescue staff working 12 hour shifts compared to 24 hour shifts, and the desire for performance pay to reward employee excellence. Staff presented a scenario for the Board's consideration of how meeting all these needs would affect the fiscal year 2015-2016 budget.

Staff also reviewed staff benefits, including health insurance costs, and how these costs have increased in recent years due to federal mandates and the overall rising costs of health insurance in general. Staff presented rates for proposed health, dental and optional vision insurance plans for the next fiscal year and also reviewed the costs association with the county's Worker's Compensation Program, including a new emphasis on safety training aimed at reducing future worker's compensation claims.

On April 14, 2015, the County Administrator will present his proposed fiscal year 2015-2016 budget plan to the Board of Supervisors for consideration, with a public hearing set for April 28. On May 12, the Board is scheduled to have a first reading of the ordinance to appropriate funds for the plan, with a second reading and final vote on May 26, 2015.

Budget work sessions are open to the public and are typically held on the fourth floor of the Roanoke County Administration Center at 5204 Bernard Drive after the regular Board of Supervisors meeting.

Significant upcoming dates in the budget process include

- April 14, 2015 County Administrator's Proposed Budget and Capital Improvement Plan presented to the Board of Supervisors.
- April 28, 2015 Public hearing on the County Administrator's proposed FY2015-2016 budget. Board of Supervisors' vote on adoption of Roanoke County Schools' budget.
- May 12, 2015 First reading of the Appropriation Ordinance for the FY2015-2016 budget
- May 26, 2015 Second reading of the Appropriation Ordinance and the Board's vote to adopt the FY2015-2016 budget

Please see the attached Board Report and presentation entitled "FY16 Budget: Compensation and Benefits" for more information. As the fiscal year 2015-2016 budget process moves forward, more information will be posted at www.roanokecountyva.gov/budgetinfo as it becomes available. Questions about the budget process or citizen suggestions may be submitted to the [Office of Management and Budget by email](#) or by calling (540) 772-2021.

ACTION NO. _____

ITEM NO. L-1

AT A REGULAR MEETING OF THE BOARD OF SUPERVISORS OF ROANOKE COUNTY, VIRGINIA HELD AT THE ROANOKE COUNTY ADMINISTRATION CENTER

MEETING DATE: March 24, 2015

AGENDA ITEM: Work session to discuss budget development for fiscal year 2015/2016 to review the topic of Compensation and Benefits

SUBMITTED BY: W. Brent Robertson
Director of Management and Budget

APPROVED BY: Thomas C. Gates
County Administrator

COUNTY ADMINISTRATOR'S COMMENTS:

SUMMARY OF INFORMATION:

This work session will provide information on and discussion of the significant topics related to developing the fiscal year 2015-2016 budget for overall employee compensation and benefits. In addition, the conversation will serve as the starting point for establishing a long-range compensation philosophy seeking to balance organizational effectiveness and efficiency in developing an overall employee compensation package. Items for presentation and discussion include the following:

- Total Compensation
- Compensation Philosophy
- Pay Adjustments
- Benefits
- Pay Adjustment Scenarios

FY16 BUDGET: COMPENSATION AND BENEFITS

Board of Supervisors Work Session
March 24, 2015

Agenda

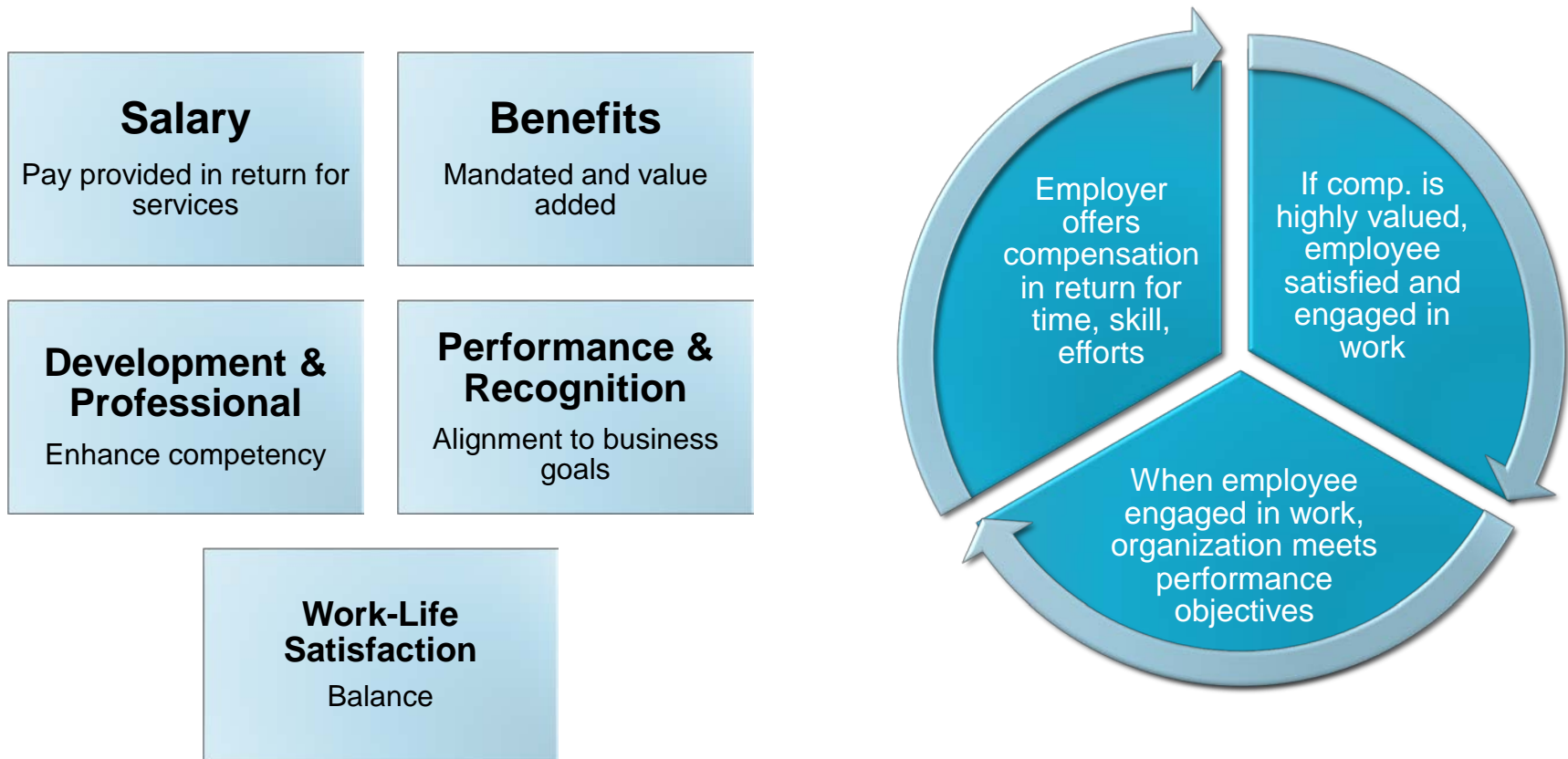
- Compensation Philosophy
- Total Compensation
 - Pay Adjustments
 - Benefits
- Pay Adjustment Scenarios

Compensation Philosophy

- Ensure recruitment and retention of high quality employees
- Ensure internal equity and market comparability
- Comp philosophy consistent with ability to pay
- Recognize outstanding performance

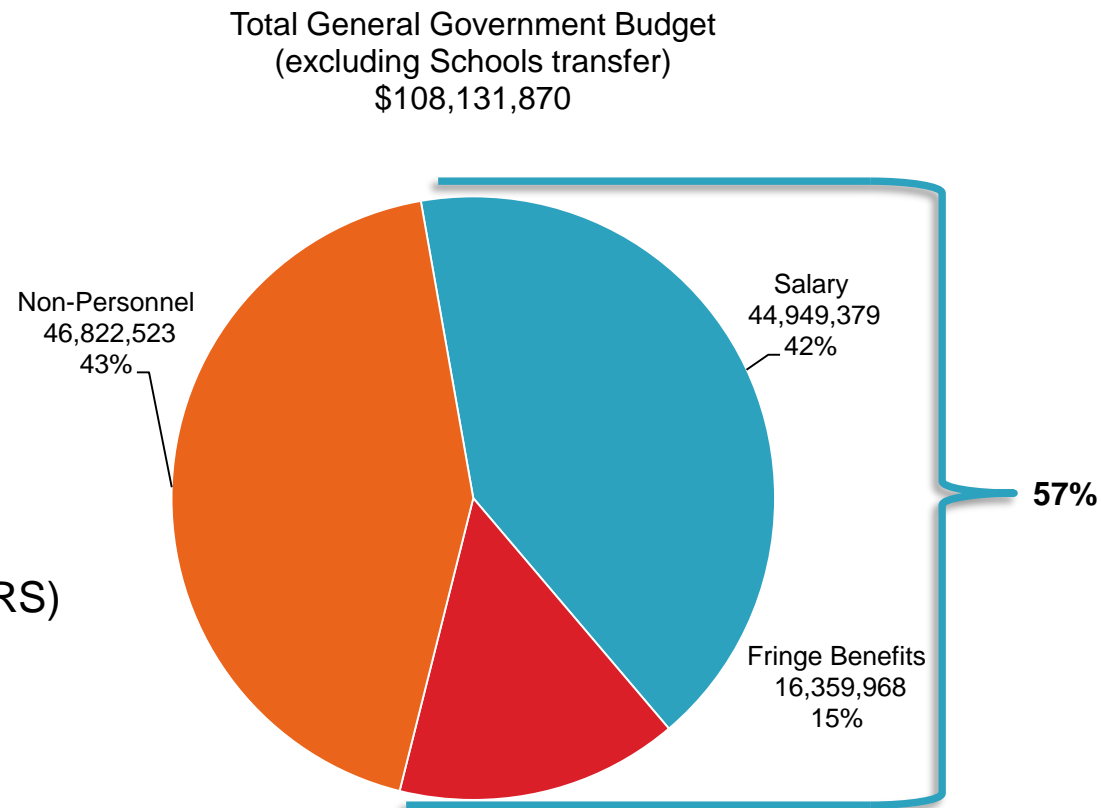
Total Compensation

Components of Total Compensation



Roanoke County Total Compensation

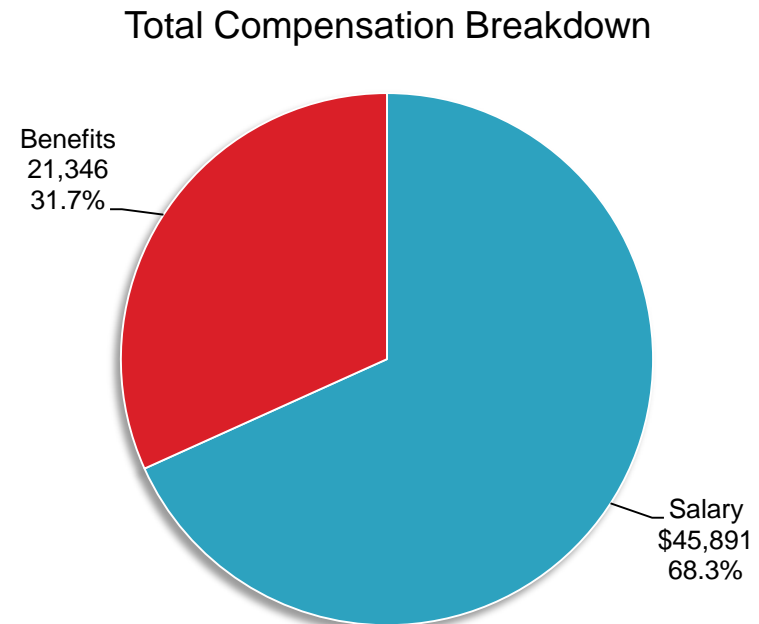
- Significant percentage of total budget (57%) when excluding school transfer
 - 35% overall
- Pay
 - Salaries and wages
- Benefits
 - Social Security/Medicare
 - Virginia Retirement System (VRS)
 - VRS Life Insurance
 - VRS Health Credit
 - Long Term Disability
 - Deferred Compensation
 - Health/Dental Insurance
 - Flexible Leave/Holidays



Total Compensation Package

- Example: Average employee salary of \$45,891

Compensation	Employer Cost
Salary	\$45,891
Benefits	
FICA	3,511
VRS	5,103
VRS Life	606
VRS Health Credit	1,331
Long Term Disability	133
Deferred Compensation	650
Health Insurance Key Care 1000 (Subscriber Only)	4,256
Dental Insurance (Subscriber Only)	285
Flexible Leave Earned	3,530
Holidays	1,942
Total Compensation	\$67,237



Pay Adjustments

Types of Pay Adjustments Available

- Pay changes that affect all
 - Across-the-Board
 - Merit-based pay
- Pay changes that affect groups
 - Adjustments to Job Classes
- Pay changes that affect individuals
 - Reclassifications
 - Acting Pay
 - Promotions
 - Competency/skill-based
 - In-grade adjustments

History of Annual Pay Adjustments for Employees

Employee Pay Raises - FY06 through FY15

Year	Raise Received	Bonus Received
FY06	4.0%	--
FY07	4.0%	--
FY08	3.5%	--
FY09	4.0%	--
FY10	--	\$500
FY11	--	--
FY12	--	4.0% (minimum of \$500, maximum \$2500)
FY13	3.0%*	--
FY14	--	--
FY15	2.0%	--

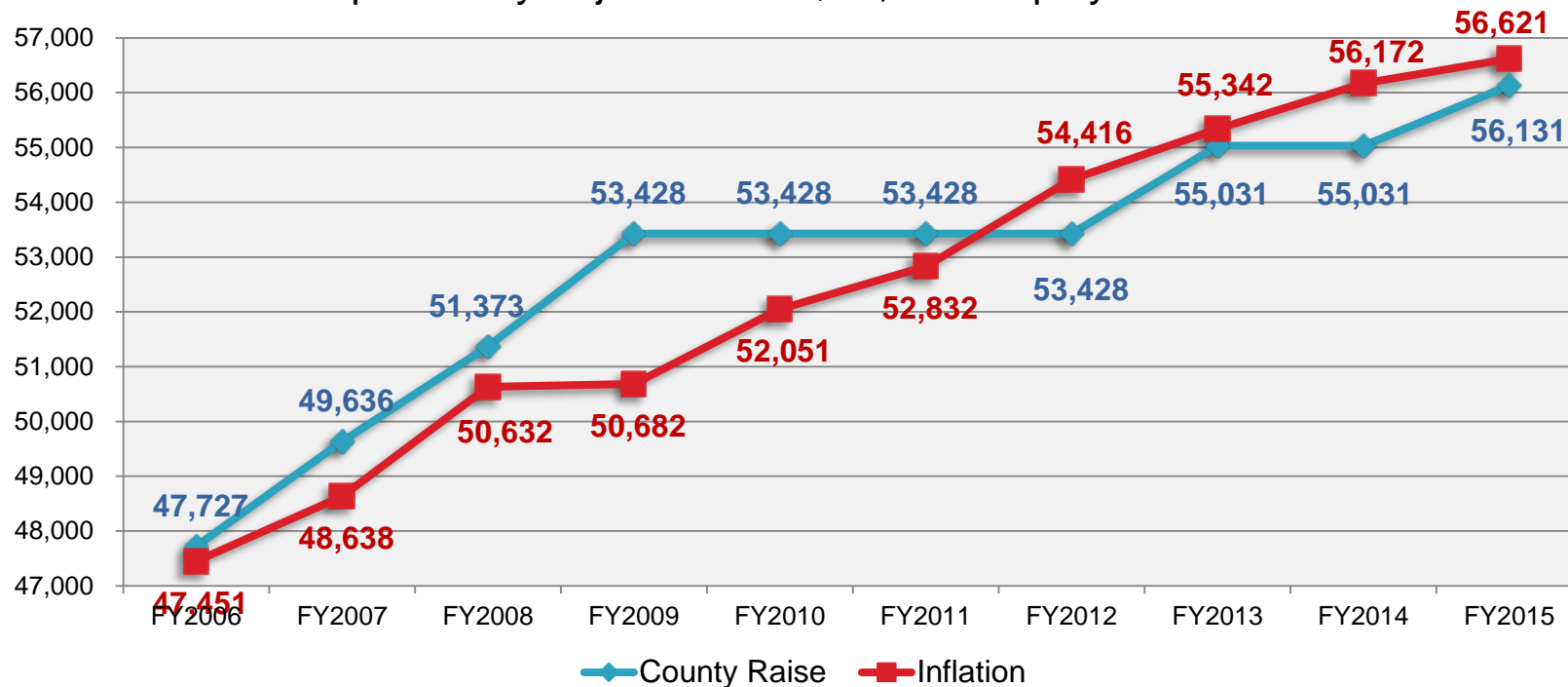
***Note:**

- FY13 also included a “hold harmless” 5.75% increase for VRS Plan 1 employees due to state mandate that all employees pay their share of VRS contribution

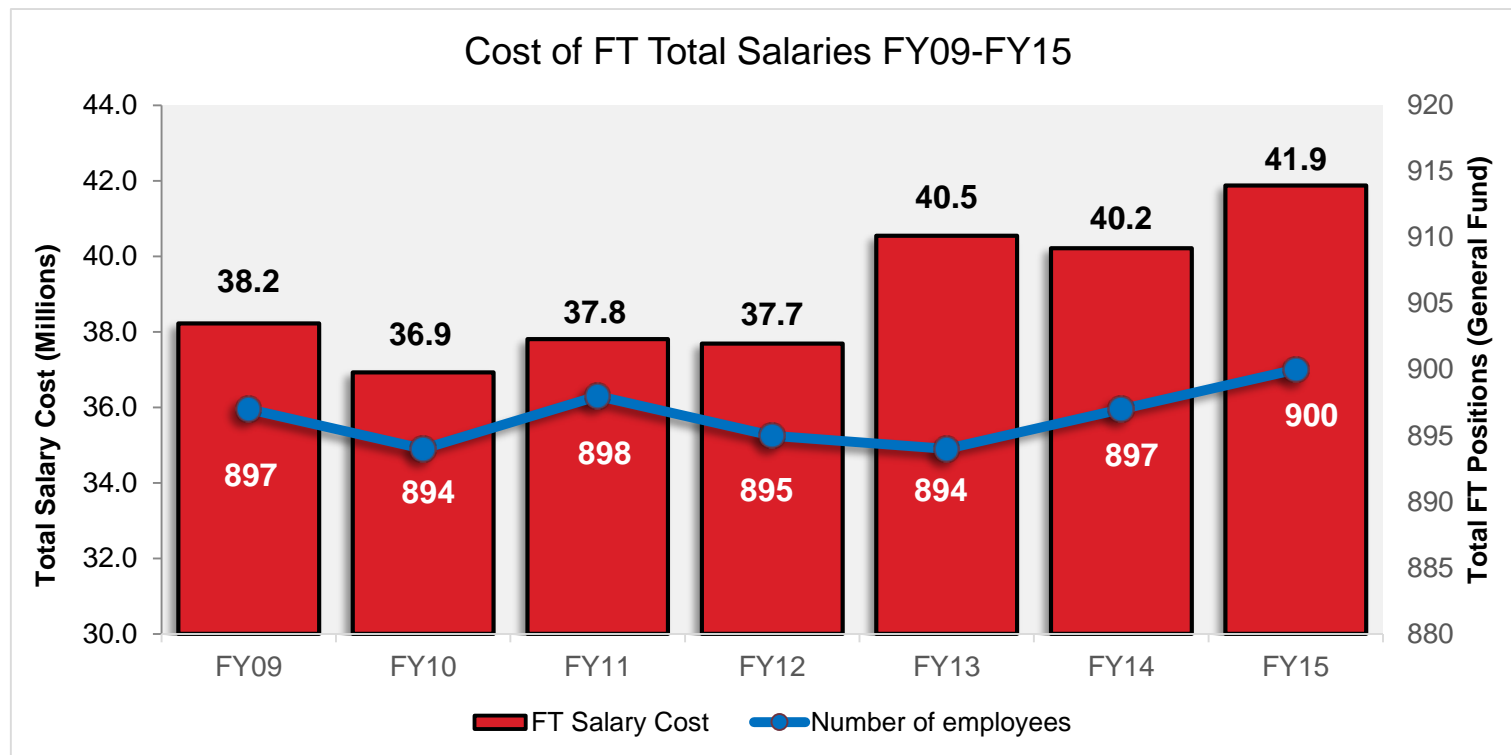
History of Pay Adjustments

- Comparison of pay adjustments with inflation

Example Salary Adjustments: \$45,891 Employee in FY2006



Changes in Salary Costs Since FY2009



- Approximately a 4% increase in total salary costs since FY09 after accounting for 5.75% increase in FY13 (VRS mandate)
- 0.3% increase in total number of General Fund positions

Cost of Every 1% Change in Employee Pay

	FY16 Budget	Impact of 1% Increase in Salary
Total Salary	\$41,233,193	\$412,332
Total Benefits* (excludes Health and Dental)	\$8,539,394	\$85,394
Total Cost of 1% Change in Pay		\$497,726

*Benefits include FICA, VRS, VRS Life, VRS Health Credit, and Long Term Disability

FY16 Pay Issues

Pay Adjustment

- Pay increase for all County employees
 - Hold employees harmless from impact of inflation
 - Recognize health insurance savings through increased pay
 - Provides employees choice in compensation

Public Safety Compression and Skill-Based

- Two phase process
 - Phase I – improve recruitment (completed)
 - Phase II – enhance employee retention
- Phase II - Retention:
 - Implement skill based pay
 - Address minor salary compression issues
 - Partially completed in FY15 budget

Fire and Rescue – 24/12 Parity

- Operational needs and service delivery requirements cause changes in employee shifts
- Currently a 24 hour shift firefighter/medic transferred to a 12 hour shift experiences a reduction in pay
- Over time, the County will transition to an all 24 hour service model and 12 hour shifts will be eliminated

Performance Pay

- Begin transition to performance based system
 - Reward employee excellence
 - Increases supervisor flexibility
 - Values significant contributions of employees
- Performance pay funding not implemented until a policy has been adopted

FY15-16 Pay Adjustments (Salary and Benefits)

Compensation Change	FY16 Budget Impact
Pay Adjustment (2.5%)	\$1,244,315
Public Safety Phase II	\$304,461
Fire and Rescue - 24/12 Parity	\$120,000
Performance Pay	\$100,000
Total	\$1,768,776

Benefits

Total Compensation-Benefits

Mandatory

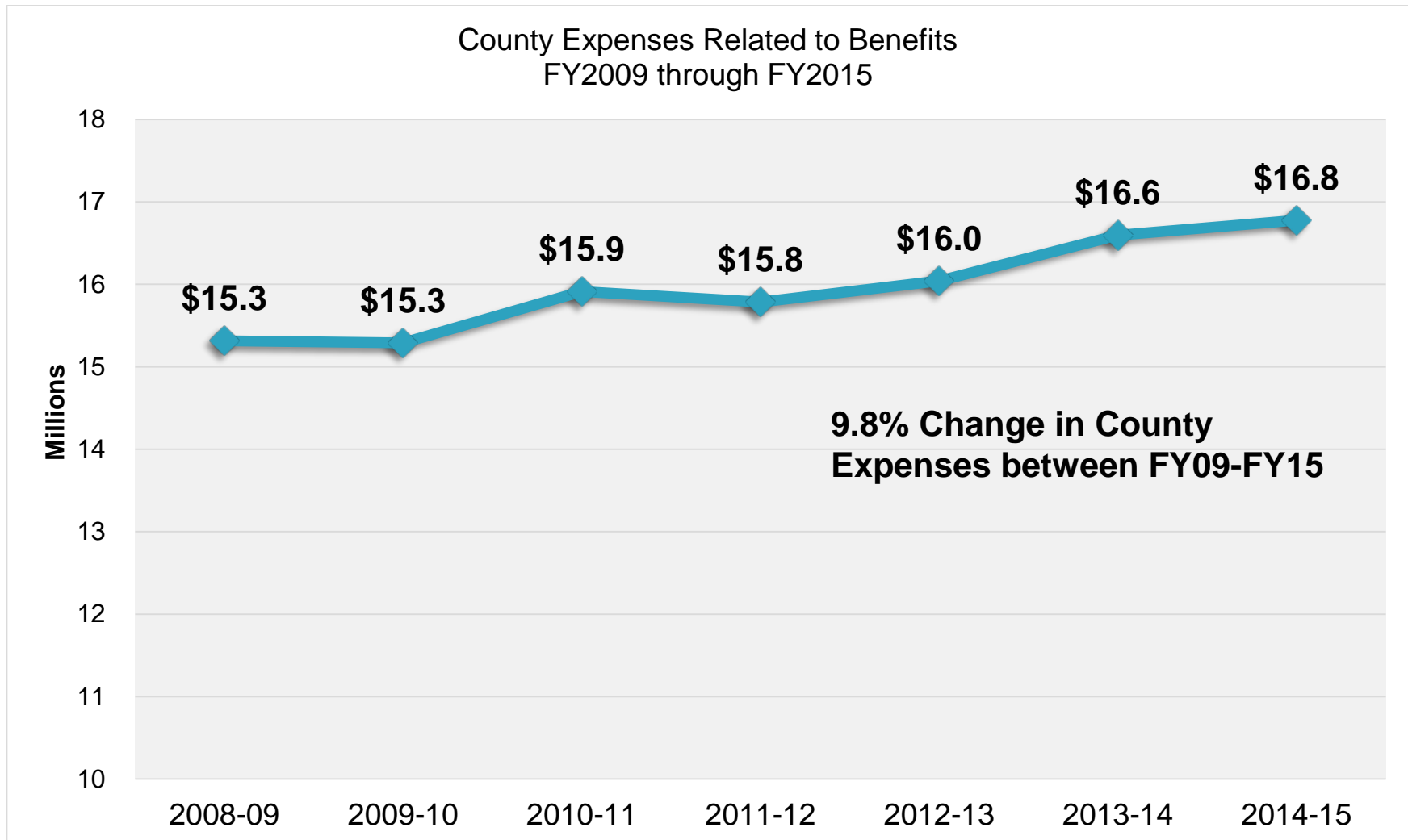
- FICA-Social Security and Medicare
- Workers' Compensation
- Virginia Retirement System
- Life Insurance
- Health Insurance Credit
- Short and Long Term Disability*

Value Added

- Health/Dental Insurance
- Wellness
- Deferred Compensation
- Flexible Leave Plan and Holidays
- Flexible Spending Accounts
- Employee Assistance Program

*Short and long term disability falls under both categories

Historical Expenses Related to Benefits



Basic Trends in Setting Health Insurance Rates

- Create a strong association between cost and use
 - Key Care 1000 plan approximately 15% lower cost than the Key Care 200
 - Higher deductible plans generate savings through consumer-driven health care management
- Wellness program
 - Employee choice
 - Tracking positively- 78% of high-risk, chronic population is engaged
- Independence of Prescription Benefits from Medical Care Services
 - High utilization of generic drugs
 - Negotiated a per pill cost
- Affordable Care Act

Health Insurance Changes

Plan Design Changes and Impact

Year	Plan Changes	Increase to Employee	Increase to County
FY2011	Federal regulation compliance	--	4.1%
FY2012	ACA compliance	--	4.8%
FY2013	KC200 replaced KC20	--	--
FY2014	Added KC1000	--	2.5%
FY2015	None	5% KC200	--

FY16 Health Insurance Plan

- Medical Anthem – same plans & coverages
- Break out drug coverage-Express Scripts
- Reinsurance Symetra
- UniCare- Add vision insurance plan
 - 100% employee paid vision insurance plan – eye exam, glasses, contacts, etc.

Review of Health Insurance Fund

	Actual 2013-14	Projected 2014-15	Projected 2015-16
Beginning Balance	\$4,419,079	\$3,971,377	\$3,546,063
Sources of Revenues:			
Health Insurance Contributions (Employer & Employee)	8,771,019	8,983,448	8,216,757
Use of Funds:			
Wellnes Clinic	(450,075)	(362,888)	(370,146)
Fund employee health insurance increase for 10-11	(292,395)	(292,395)	
Fund employee health insurance increase for 11-12	(368,212)	(368,212)	
Fund employee health insurance increase for 13-14	(175,335)	(185,267)	
Health Insurance Claims/ACA Fees	<u>(7,932,703)</u>	<u>(8,200,000)</u>	<u>(7,900,000)</u>
Projected health insurance reserve	<u>3,971,377</u>	<u>3,546,063</u>	<u>3,492,674</u>
Reserve for IBNR (Claims Payable)	<u>742,930</u>	<u>775,000</u>	<u>800,000</u>
Total Health Insurance Reserve	<u><u>\$4,714,307</u></u>	<u><u>\$4,321,063</u></u>	<u><u>\$4,292,674</u></u>

*Expert recommendation of health insurance reserve is \$4.3 million

FY16 Health Rates-Wellness Plan

	Employee Rate	County Benefit	HRA Contribution	Monthly Premium	% Employee Pays	Employee Increase
KC200						
Employee Only	\$ 50.32	\$ 394.84	n/a	\$ 445.16	11%	\$ 15.00
Employee + Child	\$ 244.76	\$ 424.84	n/a	\$ 669.60	37%	\$ 20.00
Employee + Spouse	\$ 399.42	\$ 618.14	n/a	\$ 1,017.56	39%	\$ 25.00
Employee + Family	\$ 478.26	\$ 730.32	n/a	\$ 1,208.58	40%	\$ 30.00
Married School & County Couple	\$ 291.92	\$ 916.66	n/a	\$ 1,208.58	24%	\$ 30.00
KC1000						
Employee Only	\$ -	\$ 312.96	\$ 41.68	\$ 354.64	0%	\$ -
Employee + Child	\$ 153.96	\$ 278.16	\$ 83.34	\$ 515.46	30%	\$ -
Employee + Spouse	\$ 269.86	\$ 476.46	\$ 83.34	\$ 829.66	33%	\$ -
Employee + Family	\$ 325.16	\$ 593.64	\$ 83.34	\$ 1,002.14	32%	\$ -
Married School & County Couple	\$ 138.82	\$ 779.98	\$ 83.34	\$ 1,002.14	14%	\$ -

FY16 Health Rates- No Wellness Plan

	Employee Rate	County Benefit	HRA Contribution	Monthly Premium	% Employee Pays	Employee Increase
KC200						
Employee Only	\$ 145.32	\$ 339.84	n/a	\$ 485.16	30%	\$ 30.00
Employee + Child	\$ 344.76	\$ 364.84	n/a	\$ 709.60	49%	\$ 40.00
Employee + Spouse	\$ 504.42	\$ 553.14	n/a	\$ 1,057.56	48%	\$ 50.00
Employee + Family	\$ 588.26	\$ 660.32	n/a	\$ 1,248.58	47%	\$ 60.00
Married School & County Couple	\$ 401.92	\$ 846.66	n/a	\$ 1,248.58	32%	\$ 60.00
KC1000						
Employee Only	\$ 66.48	\$ 297.96	\$ 41.68	\$ 406.12	16%	\$ -
Employee + Child	\$ 233.96	\$ 258.16	\$ 83.34	\$ 575.46	41%	\$ -
Employee + Spouse	\$ 349.86	\$ 451.46	\$ 83.34	\$ 884.66	40%	\$ -
Employee + Family	\$ 405.16	\$ 563.64	\$ 83.34	\$ 1,052.14	39%	\$ -
Married School & County Couple	\$ 218.82	\$ 749.98	\$ 83.34	\$ 1,052.14	21%	\$ -

FY16 Dental Rates

	Employee Rate	County Benefit	Monthly Premium	% Employee Pays	Employee Increase
Employee Only	\$ 7.20	\$ 23.78	\$ 30.98	23%	\$ 0.14
Employee + Child	\$ 20.06	\$ 30.38	\$ 50.44	40%	\$ 0.36
Employee + Family	\$ 42.18	\$ 45.08	\$ 87.26	48%	\$ 0.76
Married School & County Couple	\$ 23.22	\$ 64.04	\$ 87.26	27%	\$ 0.42

FY16 Optional Vision Plan Rates

Coverage Selected	Monthly Rate
Employee only	\$5.49
Employee + Spouse	\$9.91
Employee + Child(ren)	\$9.91
Family	\$15.92

Note: Rates guaranteed for 5 years (FY19-20)

Note: These rates are 100% employee (no employer contribution)

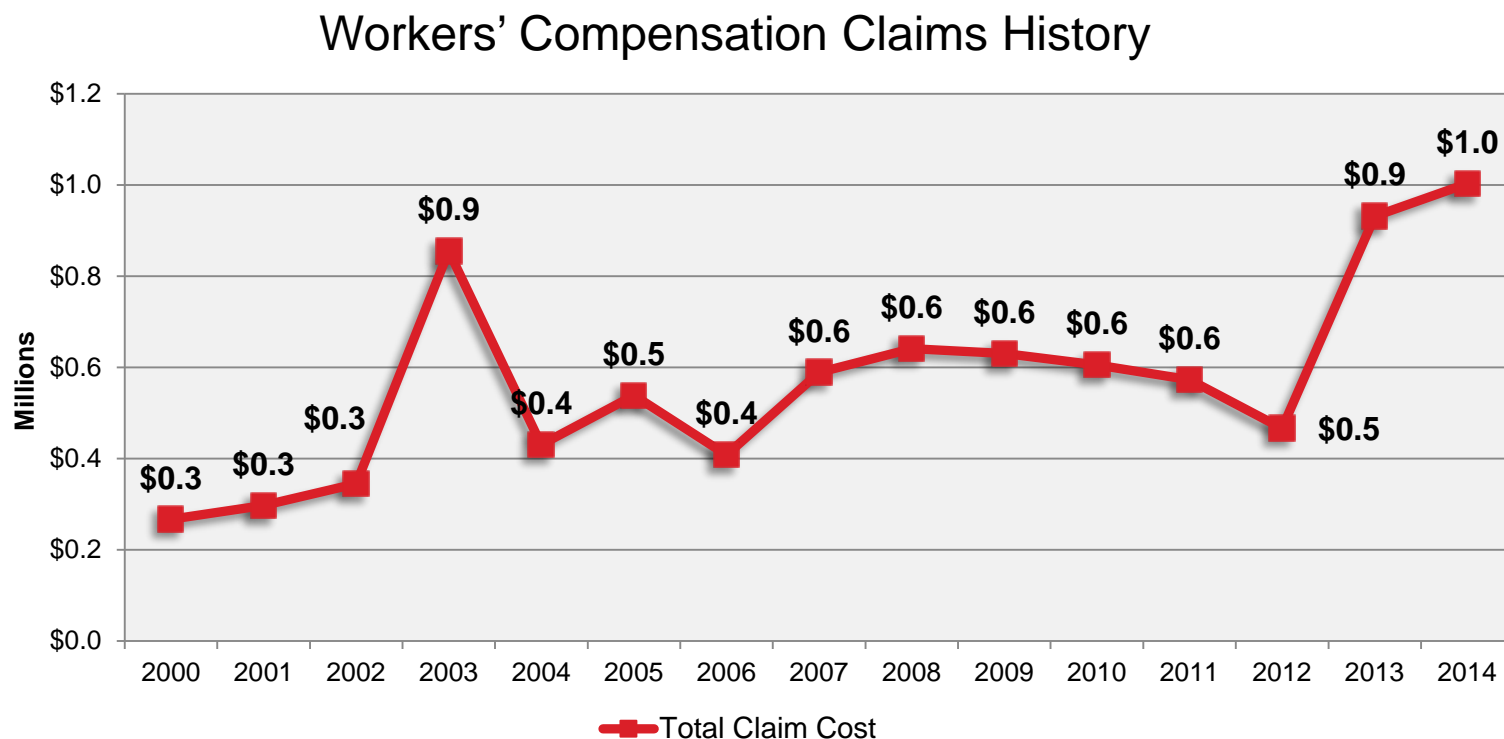
VRS Plans

Plan 1	Plan 2	Hybrid
Defined Benefit Plan	Same as Plan 1	Defined Benefit + Defined Contribution plan
Formula based on age, creditable service, average final compensation	Same as Plan 1, but with lower benefit	Defined Benefit has lowest multiplier, and Defined Contribution determined by investment results
Membership prior to January 2010 and vested by January 2013	Membership after January 2010, or not vested by January 2013	Membership after January 2014, excludes Public Safety

Workers' Compensation

- Roanoke County is self-insured
 - The County assumes the risk for providing workers' compensation benefits to employees.
 - Pay 'out of pocket' for each claim instead of utilizing a fix premium or insurance carrier.
- Why do we self-insure?
 - More opportunity to control costs.
 - 'Pay as you go' approach maximizes cash flow instead of paying costs up front.

Workers' Compensation Claims History



- FY15 budget for claims and administrative costs is \$699,000

Workers' Compensation Moving Forward

- Revitalizing our Safety Culture
 - Behavioral Based Safety
 - Safety Steering Committee
 - Program Branding/Employee Buy-In
- Safety Training
 - Partnership with the National Safety Council
 - Certified and Accredited Safety Training
 - Defensive Driving
- Root Cause Investigations & Analysis
 - Determining why incidents occurred and making sure they don't happen again

Pay Adjustment Scenarios

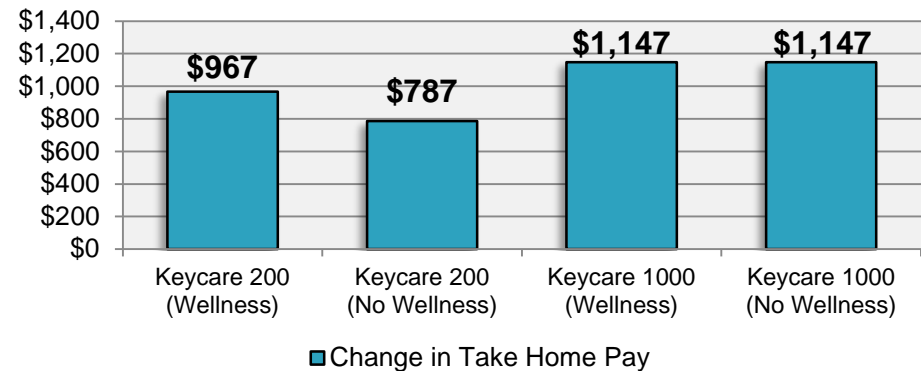
Total Compensation Adjustments

- Pay Adjustments
 - Hold harmless increase
 - Public Safety Skill Based Pay and 24/12 Parity
 - Pay for performance
- Benefit Adjustments
 - Key Care 200 health insurance increase between \$15 and \$60 (depending on plan) per month for employees
 - No increase in Key Care 1000
 - Modest increase in dental (less than \$1 per month)
 - Addition of 100% employee paid vision option
 - No other benefit changes

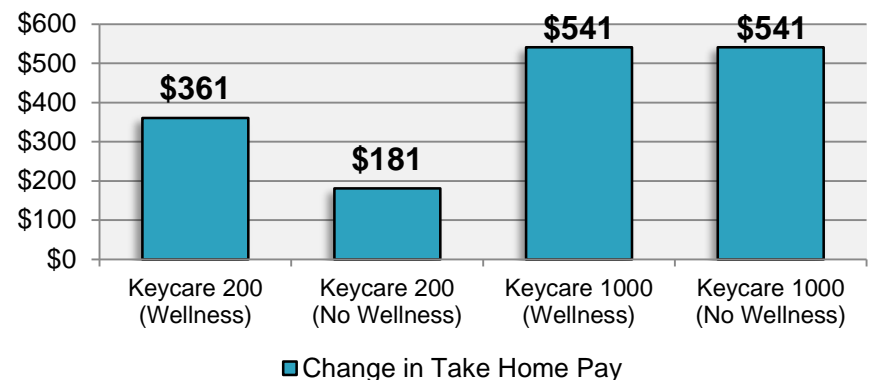
Total Compensation Adjustment Scenarios

- Assumes:
 - 2.5% Across-the-Board pay adjustment
 - Subscriber Only health and dental insurance with adjusted rates
- Lowest paid employee still sees a net increase in take home pay

Employee With Average Salary



Lowest Paid Salaried Employee



Total Compensation Philosophy Moving Forward

- Demonstrate appreciation of employee performance with appropriate level of compensation
 - Pay and benefits
- Greater emphasis on rewarding top performers
 - Less emphasis on pay adjustments equalized across organization
- Define performance targets for employees and assess their work against standards
 - Develop and improve employee efficiency and effectiveness